



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Introduce Ordinance Amending Lodi Municipal Code Title 2 – Administration and Personnel – Chapter 2.12, “City Manager”, by Repealing and Reenacting Section 2.12.060(T) Relating to Contract Authority of the City Manager and Further Amending Lodi Municipal Code, Title 3 – Revenue and Finance – By Repealing and Reenacting Chapter 3.20 In Its Entirety Relating to the Purchasing System

MEETING DATE: August 17, 2011

PREPARED BY Deputy City Manager

RECOMMENDED ACTION: Introduce Ordinance amending Lodi Municipal Code Title 2 – Administration and Personnel – Chapter 2.12, ‘City Manager’, by repealing and reenacting Section 2.12.060(T) relating to contract authority of the City Manager and further amending Lodi Municipal Code, Title 3 – Revenue and Finance by repealing and reenacting Chapter 3.20 in its entirety relating to the Purchasing System.

BACKGROUND INFORMATION: Council adopted the current Purchasing Policy in August 2005, establishing a centralized purchasing organization. In January 2010, the Council approved department reorganizations that decentralized the purchasing functions within the City. At that time, staff advised the Council that the Purchasing Policy would be revised to reflect the new departmental structures.

Full implementation of decentralized purchasing occurred in July 2010. The City has operated under the decentralized purchasing model for the past year. A number of proposed changes were brought to the Council at the Shirtsleeve session of July 19, 2011. As City staff has reduced, the need to be more efficient is very apparent. The recommended changes are driven by the efficiencies that will be gained by adding flexibility to our purchasing processes. Staff has weighed the increased flexibility against the inherent risks in arriving at our recommendations, along with input provided by Council at the Shirtsleeve session. The significant recommended changes can be summarized as follows:

| Item | Current Policy | Recommendation |
|----------------------|--|---|
| Purchase Order Limit | Purchase Order required for all purchases over \$500 | Raise the limit to \$2,500 |
| Quote Limit | Verbal quotes required for purchases between \$500 and \$999; Written quotes required for purchases over \$1,000 | Eliminate verbal quotes; Raise written quote limit to \$2,500 |
| Signature Limits | Department Head - \$5,000 City Manager - \$20,000 | Department Head - \$10,000 Engineering Dept. Head (Public Works & Electric Utility) - \$15,000 City Manager - \$20,000 |
| Purchasing Cards | 11 currently approved by Council Resolution | Increase to 36 classifications; continue to have Council approve classifications by Resolution; match transaction limits to revised purchasing policy |

APPROVED:


Konradt Bartlam, City Manager

In addition to the above changes, a number of other changes are included in the ordinance that brings the ordinance in line with a decentralized purchasing organization. Such changes are noted in red-line format in the attached amended ordinance.

FISCAL IMPACT: Staff efficiencies are expected as greater flexibility is granted in our purchasing processes. Additional revenue is expected as more purchases are made using the procurement cards. It is not possible to accurately estimate the additional revenue as the exact amount of procurement card spending is not known.

FUNDING AVAILABLE: Not applicable.



Jordan Ayers
Deputy City Manager

JA/ja

Attachments

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LODI AMENDING LODI MUNICIPAL CODE TITLE 2 – ADMINISTRATION AND PERSONNEL – CHAPTER 2.12, “CITY MANAGER,” BY REPEALING AND REENACTING SECTION 2.12.060(T) RELATING TO CONTRACT AUTHORITY OF THE CITY MANAGER; AND FURTHER AMENDING LODI MUNICIPAL CODE, TITLE 3 – REVENUE AND FINANCE – BY REPEALING AND REENACTING CHAPTER 3.20 IN ITS ENTIRETY RELATING TO THE PURCHASING SYSTEM

=

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LODI AS FOLLOWS:

Section 1. Lodi Municipal Code Title 2 “Administration and Personnel” Chapter 2.12 “City Manager” is hereby amended by repealing and reenacting Section 2.12.060(T) – relating to contract authority of the City Manager, and shall read as follows:

2.12.060 (T) Contracts: To execute on behalf of the City, without City Council approval, contracts, as defined in Lodi Municipal Code 3.20.015, in the amount of twenty thousand dollars or less, and to delegate authority to subordinate officers and employees to execute contracts without city council or city manager approval contracts in the amount of fifteen thousand or less to the Public Works Director or designee, fifteen thousand or less to the Electric Utility Director or designee and ten thousand dollars or less to all other directors or designees. Nothing in this section shall allow departure from the other purchasing requirements of Chapter 3.20 of this Code. For contracts of not less than ten thousand nor greater than twenty thousand the City Manager shall quarterly prepare for the city council a report which includes a list of the contracts into which the city has entered during the previous three months. No contract shall be split into smaller segments to avoid the provisions of this subsection. (Government Code § 4526, Public Contract Code § 10359)

Deleted: 2

Deleted: twenty

Deleted: five

Deleted: \$5,000

Deleted: \$20,000,

Section 2. Lodi Municipal Code Title 3 “Revenue and Finance” Chapter 3.20 “Purchasing System” is hereby repealed and reenacted in its entirety, and shall read as follows:

Sections:

3.20.010 Purpose
3.20.015 Definitions
3.20.020 Purchasing Officer - Established
3.20.030 Purchasing Officer - Powers
3.20.040 Delegation of Purchasing Authority
3.20.045 State and Local Agency Contracts
3.20.060 Requisitions
3.20.070 Bidding
3.20.075 Professional/Technical Services Contracts
3.20.076 Contract Authority
3.20.077 Electronic Hardware and Software
3.20.080 Purchase Orders
3.20.085 Professional Services Agreements
3.20.090 Use of unencumbered funds required
3.20.095 State and Federal Grants
3.20.100 Formal contract procedure
3.20.105 Public Works Projects
3.20.110 Open market procedure
3.20.115 Split Transactions
3.20.120 Inspection and testing of purchases

Deleted:

Deleted: Exemptions from centralized purchasing

| | |
|-----------------|---|
| 3.20.130 | Vehicle Purchases and Disposition Exemption |
| <u>3.20.135</u> | <u>Procurement Cards</u> |
| 3.20.140 | Restrictions |
| 3.20.150 | Penalty for violation |

3.20.010 Purpose

In order to establish efficient procedures for the purchase of supplies, services and equipment, to secure for the City supplies, services and equipment at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function and to assure the quality of purchases, the City's purchasing system is set forth in this Chapter.

Deleted: a centralized

3.20.015 Definitions

As used in this Chapter the following terms shall have the following respective meanings:

- A. "Best Value" is associated with determining the greatest worth and benefit to the City based on a number of factors, including
 - 1) Cost;
 - 2) Quality of the product or service;
 - 3) Delivery lead time;
 - 4) Ability of the manufacturer or contractor to provide services, supplies, or equipment as required, and parts, repairs, maintenance and support after the sale;
 - 5) The character, integrity, reputation, judgment, and experience of the manufacturer, contractor, or supplier.
- B. "Bid" may mean a competitive sealed (formal) bid processed in accordance with §3.20.100, or an informal bid processed in accordance with §3.20.110 herein.
- C. "Contract" means a written or oral agreement to expend money on a product or service including but not limited to purchase orders, formal contracts, invoices and oral orders.
- D. "Department" or "Using Department" means any of the departments of the city government.
- E. "Emergency" shall mean an unforeseen circumstance or combination of circumstances calling for immediate action to procure materials, supplies, equipment, or services in order to make repairs, safeguard lives or property, or maintain public health or welfare, as a result of extraordinary conditions created by war, disease, weather, fire, or other catastrophic or unforeseen occurrence, or imminent or actual failure of any plant, equipment, structure, street or public work.
- F. "Equipment" shall mean items of property which are maintained on inventory as fixed assets. These items are durable and have a fixed, predetermined life expectancy.
- G. "Professional services", as used in this section, shall mean all services which (1) are of an advisory nature, (2) provide a recommended course of action or personal expertise, or (3) have an end product which is basically a transmittal of information either written or verbal and which is related to the governmental functions of city administration and management and city program management or innovation, and which are obtained by awarding a services contract, a grant, or any other payment of funds for services of the above type. In general, "Professional services" are provided by qualified professionals in such disciplines as accounting, architectural, engineering,

Deleted: Except as specified in Section 3.20.040 herein, there shall be no exemption from centralized purchasing, and no agency or department shall be authorized to purchase, or contract for the purchase of supplies, materials, services or equipment independently of the purchasing system.¶

environmental, financial, legal, and medical fields.

H. "Professional Services Agreement" means the agreement entered into between the service provider and the City for services, as opposed to goods and materials, in a form created by the City Attorney.

I. "Public Project" shall mean a project for the erection, improvement, painting or repair of public buildings and works; work in or about streams, rivers, lakes, or embankments for protection against overflow; street, sewer, water and electrical distribution system work except maintenance or repair; furnishing supplies or materials for any such project, including maintenance or repair of streets or sewers. (Public Contract Code § 20161)

J. "Purchases" shall mean legal transactions (including lease and rental) by which the City acquires supplies, equipment, materials and contractual services.

K. "Purchasing Authority" shall mean any department head authorized to purchase or otherwise enter into contracts for the City under provisions of Part 3.20.040 herein.

L. "Procurement Cards" shall mean bank issued credit cards assigned to positions specified by resolution of the City Council.

M. "Responsible Bid" shall mean an offer, submitted by a responsible bidder to furnish supplies, equipment, materials, or services in conformity with the bid instructions, specifications, delivery terms and conditions, and other requirements contained in the Invitation for Bids.

N. "Responsible Bidder" shall mean a bidder who is financially responsible and has the resources, judgment, skill, ability, capacity, integrity, and reliability required and necessary to perform the requirements set forth in the bids, and which will assure good faith performance.

O. "Responsive Bid" is a bid that conforms in all material respects to the Invitation for Bids.

P. "Services" shall mean the furnishing of labor, time, or effort performed by specially trained and experienced persons, firms, or corporations rendering professional work and advice in such disciplines as the maintenance or repair of buildings or grounds, equipment or machinery, or other City-owned or operated property. Such term shall not include services rendered by city officers or employees, nor professional or technical services as defined elsewhere in this section.

Q. "Shall" denotes the imperative.

R. "Supplies" shall mean property, including but not limited to materials, required to perform a department's routine functions.

S. "Technical Services" shall mean design, installation, diagnostic or repair services for electrical, electronic, data/telecommunications, mechanical, and/or control systems and their components. These services are distinguished from general repair and maintenance services by their requirements for technical training and/or professional certification.

3.20.020 Purchasing Officer – Established

There is established the position of Purchasing Officer. The Purchasing Officer shall be appointed by the City Manager, and shall be the head and have general oversight of the purchasing functions of the City. The duties of the Purchasing Officer may be combined with those of any other office or position.

Deleted: supervision

Deleted: division of the Finance Department

3.20.030 Purchasing Officer - Powers

The Purchasing Officer shall have the responsibility and authority to:

A. Purchase or contract for supplies, services and equipment required by any city department in accordance with purchasing procedures prescribed by this

Chapter, such administrative regulations as the Purchasing Officer shall adopt for the internal management and operation of the purchasing function of the City and such other rules and regulations as shall be prescribed by the City Council or City Manager;

Deleted: division

B. Negotiate and recommend execution of contracts for the purchase of supplies, services and equipment;

C. Act to procure for the city the needed quantity and quality in supplies, services and equipment at least expense to the City;

D. Discourage uniform bidding (wherein bidders conspire to submit the same cost for a given job or tangible item), and endeavor to obtain as full and open competition as possible on all purchases;

E. Prepare rules governing the purchase of supplies, services and equipment for the City;

Deleted: and recommend to the city council

F. Prepare and recommend to the City Council revisions and amendments to, this Chapter;

Deleted: the

Deleted: purchasing rules

G. Keep informed of current developments in the field of purchasing, prices, market conditions and new products;

H. Prescribe and maintain such forms as reasonably necessary to the operation of this Chapter and other rules and regulations;

Deleted: e

I. Oversee the inspection of all supplies, services and equipment purchased to insure conformance with specifications;

Deleted: Supervise

J. Recommend the transfer of surplus or unused supplies and equipment between departments as needed and the sale of all supplies and equipment which cannot be used by any department or which may become unsuitable for city use;

K. Maintain a bidders' list, vendors catalog file, and records necessary for the efficient operation of the purchasing function.

Deleted: needed

Deleted: division

L. The foregoing responsibilities and authorities may be delegated by the Purchasing Officer to departmental Purchasing Authorities (as defined herein) under this purchasing policy.

Deleted: se

Deleted: a de-centralized

Deleted: system

3.20.040 Delegation of Purchasing Authority

The City Manager, in accordance with Lodi Municipal Code Section 2.12.060(T), may authorize in writing any department head (hereinafter "Purchasing Authority") to purchase or contract for, or to delegate to qualified staff members the authority to purchase or contract for specified supplies, services and equipment independently, but shall require that such purchases or contracts be made in conformity with the procedures established by this Chapter, and shall further require periodic reports from the department on the purchases and contracts made under such written authorization.

Deleted: Exemptions from centralized purchasing.

Deleted: with the approval of the city council

Deleted: of the purchasing department

3.20.045 State and Local Agency Contracts

The bidding process described in this Chapter may be waived when advantageous for the City, and authorized by the City Manager for purchase of supplies, equipment or contractual services awarded in accordance with formally adopted bidding or negotiation procedures approved by the governing boards of other California public agencies. Purchases or contracts in excess of twenty thousand dollars (\$20,000) shall require the approval of the City Council.

Deleted: code

Deleted: \$20,000

3.20.060 Requisitions

City departments shall submit requests for supplies, services and equipment to the purchasing officer, or designee, electronically or by standard requisition forms, for the purposes and within the limits of funds appropriated therefore.

3.20.070 Bidding

Purchases of supplies, services, equipment and the sale of personal property shall be by bid procedures pursuant to Sections 3.20.100 and 3.20.110. Bidding shall be dispensed with only (1) bid in cases of emergency as defined in this Chapter, and therefore requires that an order be placed with the best available source of service or supply; (2) when the amount involved is less than two thousand five hundred dollars (\$2,500) (but competitive quotes shall be obtained if it is in the City's best interest to do so), (3) when the commodity can be obtained from only one vendor, due to (a) product standardization by resolution of the City Council, or (b) need for branded replacement parts or supplies for equipment of like brand; (4) when professional or technical requirements preclude competitive bidding, pursuant to Part 3.20.075 of this Section, or (5) when the City Council determines that the purchase or method of purchase would be in the best interests of the city.

Deleted: ¶

3.20.075 Professional/Technical Services Contracts

The following professional services contracts are specifically exempt from the advertising and bidding requirements of Section 3.20.070:

Contracts for

(1) legal defense, legal advice, or legal services;

(2) architectural and engineering services, including, but not limited to construction management, aerial photography, laboratory and material testing services;

Deleted:

(3) accounting and financial services;

(4) real estate appraisals;

(5) transportation services consultants;

(6) safety, environmental or hazardous material consultants;

Deleted: .

(7) workshops, seminars, and conferences;

Deleted: ¶

(8) computer consulting services.

Deleted: .

Such contracts shall be awarded on the basis of professional qualifications and experience, quality of service, past performance, and negotiated prices.

3.20.076 Contract Authority

The City Manager shall have the contracting authority set forth in Chapter 2.12.060(T) of this Code.

3.20.077 Electronic Hardware and Software

Acquisition of electronic hardware and software shall be by negotiation, requests for proposal, or competitive bids, and award shall be based on 'best value' criteria as established by Section 3.20.15, under direction of the Information Systems Manager, and set forth in the terms of the negotiation, Request for Proposals, or bid. Alternatively, purchase of electronic hardware and software may be made in accordance with Section 3.20.045. Electronic software purchases shall also be made in accordance with the City of Lodi Administrative Policies – Information Systems – Section 5 Software Selection and Acquisition.

Deleted: §

Deleted: §

3.20.080 Purchase orders.

Purchases of supplies and equipment in an amount of two thousand five hundred dollars (\$2,500) or more shall be made only by written contract or by purchase orders. Purchase orders should not be used to procure services, except as noted in Section 3.20.085.

Deleted: , services

Deleted: \$500

3.20.085 Professional Services Agreements

Deleted: ¶

Services, as opposed to goods or materials, shall be procured using a Professional Services Agreement as created, and revised as needed, by the City Attorney. Purchase orders, with the appropriate terms, conditions and insurance requirements, may be used in lieu of a Professional Services Agreement when the nature of the service is that of a one-time service. Ongoing, recurring services shall be procured using a Professional Services Agreement.

3.20.090 Use of unencumbered funds required.

Except in cases of emergency, the purchasing officer or purchasing authority shall not issue any purchase order or otherwise contract for supplies, services or equipment unless there exists an unencumbered appropriation in the fund account against which the purchase is to be charged.

3.20.095 State and Federal Grants

Where a procurement involves the expenditure of state or federal grant funds the procurement process shall comply with such state or federal laws and authorized regulations which are mandatorily applicable and which are not presently reflected in this code.

3.20.100 Formal contract procedure.

Purchases of supplies, equipment, contractual services, public projects, and sales of personal property of an estimated value greater than twenty thousand dollars (\$20,000) shall follow the formal contract procedure:

Deleted: \$20,000

Deleted: 3

A. Specifications and plans shall be subject to review and approval by the City Council prior to the solicitation of bids.

B. The advertisement for bids will be conducted as provided for in the Government Code.

C. Notice Inviting Bids. Notice inviting bids shall include a general description of the articles to be purchased or sold, or work to be performed, and shall state where bid forms and specifications may be secured and the time and place for opening of bids.

1. Published Notice. Notice inviting bids shall be published at least ten (10) calendar days before the date of opening of the bids. Notice shall be published at least once in a newspaper of general circulation, printed and published in the city, or if there is none, it shall be posted in at least three public places in the city that have been designated by ordinance as the places for posting public notices.

2. Bidders' List. The Purchasing Officer shall also solicit sealed bids from all responsible prospective suppliers whose names are on the bidders' list.

3. Internet Posting. The Purchasing Officer may also advertise pending bids for purchases or sales on the city's web page.

D. Bidder's Security. When required by law or deemed necessary by the Purchasing Officer, bidder's security may be prescribed in the notice inviting bids. Bidders shall be entitled to the return of their bid security; except that a successful bidder shall forfeit all or part of his or her bid security upon refusal or failure to execute the contract within ten days after the notice of award of contract has been mailed, unless the city is responsible for the delay. The City

Council may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest responsible bidder. Thereafter, if the City Council awards the contract to the next lowest bidder, the amount of the lowest bidder's security shall be applied by the city to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder.

E. Bid Opening Procedure. Sealed bids shall be submitted to the purchasing officer and shall be identified as bids on the envelope. Bids shall be opened in public at the time and place stated in the notice inviting bids. A tabulation of all bids received shall be available for public inspection during regular business hours for a period of not less than thirty calendar days after the bid opening.

F. Rejection of Bids. In its discretion, the city council may reject any and all bids presented and, if it is in the city's best interest to do so, readvertise for bids.

G. Award of Contracts. After evaluation of bids, contract shall be awarded by the city council to the lowest responsible bidder except as otherwise provided in this chapter. In determining the lowest responsible bid, considerations shall include but not be limited to such factors as (1) whether any portion of the state sales tax payable on the article which is the subject of the bid will be rebated to the city by reason of awarding such contract to a person or firm domiciled within the city, (2) total life-cycle costs, and/or (3) residual value.

H. Tie Bids. If two or more bids received are for the same total amount or unit price, with quality, service and factors considered in [Section 3.20.100 \(E\)](#), above, being equal and if the public interest will not permit the delay of readvertising for bids, the city council may accept the lowest bid determined by toss of a coin performed at a time as soon after the bid opening as is possible.

I. Performance Bond. The City Council shall have authority to require a performance bond before entering a contract in such amount as it shall find reasonably necessary to protect the best interests of the City. If the City Council requires a performance bond, the form and amount of the bond shall be described in the bidding documents.

Deleted: Paragraph

3.20.105 Public [Works](#) Projects

Public [Works](#) Projects [in excess of five thousand dollars \(\\$5,000\)](#) shall be [bid pursuant to the procedures of the Public Contract Code Public Contracts Code Section 20162](#). [Public Works Projects under twenty thousand dollars \(\\$20,000\) may be advertised for and contracted by staff as authorized under this Chapter. Public Works Contracts over twenty thousand dollars \(\\$20,000\) shall be approved by Council. Public Works Project bid disputes, rejections and other exceptions shall be agendized for Council action regardless of contract value.](#)

Deleted: p

Deleted: subject

Deleted: provisions

Deleted: When the expenditure required for a public project exceeds \$20,000

Deleted: 3

Deleted: al

Deleted: of the city c

Deleted: is required before advertising for and awarding of bids.

Deleted: \$20,000

Deleted: 3

3.20.110 Open market procedure

Purchases of supplies, equipment, contractual services and sales of personal property of an estimated value in the amount of [twenty thousand dollars \(\\$20,000\)](#) or less may be made in the open market without observing the Formal Contract procedure prescribed by Section 3.20.100.

A. Minimum Number of Informal Bids or Quotations. Open market purchases shall, wherever possible, be based on at least three informal bids or quotations, and shall be awarded to the lowest responsible bidder.

B. Request for Quotations. The Purchasing Officer or purchasing authority shall solicit informal written bids or quotations from prospective vendors by written request, by telephone or by electronic data interchange. Quotations or informal bids shall be in writing for amounts greater than [two thousand five hundred dollars \(\\$2,500\)](#).

Deleted: \$1000

C. Quotations and written informal bids shall be submitted to the requestor, who shall keep a record of all quotations, bids, and open market orders for a period of one year after the submission of quotations or the placing of orders. This record, while so kept, shall be open to public inspection.

D. The Purchasing Officer or purchasing authority may reject any and all informal bids, offers and quotations when, in his or her discretion, it shall be in the best interest of the City to do so.

3.20.115 Split Transactions

No person shall willfully split a single transaction into two or more transactions for the purposes of evading the bidding requirements of this section. (Public Contract Code § 10329, 20163)

3.20.120 Inspection and testing of purchases.

The Purchasing Officer or purchasing authority shall assure the inspection of supplies and equipment delivered, and contractual services performed, to determine their conformance with the specifications set forth in the order or contract. The Purchasing Officer shall have authority to require chemical and physical tests of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with specifications. (Prior code § 2-66)

3.20.130 Vehicle purchases and disposition exemption.

The purchase and disposition of fleet vehicles and other specific equipment governed by the City's Fleet Policies and Procedures, as adopted by resolution of the city council, is exempt from the provisions of this Chapter

Formatted: Body Text, Left

3.20.135 Procurement Cards

The City Council shall select a vendor to provide Procurement Cards for use by city staff. Purchases in accordance with this policy shall be authorized to be paid for with such cards. The City Council shall approve issuance of Procurement Cards to specified staff positions by resolution for the efficient operations of the City. Authorized limits for individual and aggregate transactions shall be in accordance with the transaction and contract limits set forth in this chapter. The Purchasing Officer shall be responsible for preparing rules and procedures governing the use of Procurement Cards.

Deleted: use

3.20.140 Restrictions

If any department purchases or contracts for any supplies, equipment or contractual services made contrary to the provisions of this Chapter, the purchase or contract shall be void and of no effect. The head of the department making the purchase transaction shall be personally liable for the amount of the purchase or contract, or, if already paid for out of city funds, the amount thereof may be recovered in the name of the city in appropriate action therefore.

3.20.150 Penalty for violation

Any person who violates, or permits a violation of this chapter is guilty of an infraction which may be punishable as provided in Chapter 1.08 of this Code.

Section 3 - No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

Section 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

Section 5. This ordinance shall be published one time in the "Lodi News Sentinel," a daily newspaper of general circulation printed and published in the City of Lodi and shall be in force and take effect 30 days from and after its passage and approval.

Approved this ____ day of _____, 20.

Attest:

RANDI JOHL
City Clerk

BOB JOHNSON
Mayor

State of California
County of San Joaquin, ss.

I, Randi Johl, City Clerk of the City of Lodi, do hereby certify that Ordinance No. ____ was introduced at a regular meeting of the City Council of the City of Lodi held _____, 2011, and was thereafter passed, adopted, and ordered to print at a regular meeting of said Council held _____, 2011, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. ____ was approved and signed by the Mayor of the date of its passage and the same has been published pursuant to law.

RANDI JOHL
City Clerk

Approved as to Form:

D. STEPHEN SCHWABAUER
City Attorney

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LODI AMENDING LODI MUNICIPAL CODE TITLE 2 – ADMINISTRATION AND PERSONNEL – CHAPTER 2.12, “CITY MANAGER,” BY REPEALING AND REENACTING SECTION 2.12.060(T) RELATING TO CONTRACT AUTHORITY OF THE CITY MANAGER; AND FURTHER AMENDING LODI MUNICIPAL CODE, TITLE 3 – REVENUE AND FINANCE – BY REPEALING AND REENACTING CHAPTER 3.20 IN ITS ENTIRETY RELATING TO THE PURCHASING SYSTEM

=====

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LODI AS FOLLOWS:

Section 1. Lodi Municipal Code Title 2 “Administration and Personnel” Chapter 2.12 “City Manager” is hereby amended by repealing and reenacting Section 2.12.060(T) – relating to contract authority of the City Manager, and shall read as follows:

2.12.060 (T) Contracts: To execute on behalf of the City, without City Council approval, contracts, as defined in Lodi Municipal Code 3.20.015, in the amount of twenty thousand dollars or less, and to delegate authority to subordinate officers and employees to execute contracts without city council or city manager approval contracts in the amount of fifteen thousand or less to the Public Works Director or designee, fifteen thousand or less to the Electric Utility Director or designee and ten thousand dollars or less to all other directors or designees. Nothing in this section shall allow departure from the other purchasing requirements of Chapter 3.20 of this Code. For contracts of not less than ten thousand nor greater than twenty thousand the City Manager shall quarterly prepare for the city council a report which includes a list of the contracts into which the city has entered during the previous three months. No contract shall be split into smaller segments to avoid the provisions of this subsection. (Government Code § 4526, Public Contract Code § 10359)

Section 2. Lodi Municipal Code Title 3 “Revenue and Finance” Chapter 3.20 “Purchasing System” is hereby repealed and reenacted in its entirety, and shall read as follows:

Sections:

| | |
|----------|---|
| 3.20.010 | Purpose |
| 3.20.015 | Definitions |
| 3.20.020 | Purchasing Officer - Established |
| 3.20.030 | Purchasing Officer - Powers |
| 3.20.040 | Delegation of Purchasing Authority |
| 3.20.045 | State and Local Agency Contracts |
| 3.20.060 | Requisitions |
| 3.20.070 | Bidding |
| 3.20.075 | Professional/Technical Services Contracts |
| 3.20.076 | Contract Authority |
| 3.20.077 | Electronic Hardware and Software |
| 3.20.080 | Purchase Orders |
| 3.20.085 | Professional Services Agreements |
| 3.20.090 | Use of unencumbered funds required |
| 3.20.095 | State and Federal Grants |
| 3.20.100 | Formal contract procedure |
| 3.20.105 | Public Works Projects |
| 3.20.110 | Open market procedure |
| 3.20.115 | Split Transactions |
| 3.20.120 | Inspection and testing of purchases |

- 3.20.130 Vehicle Purchases and Disposition Exemption
- 3.20.135 Procurement Cards
- 3.20.140 Restrictions
- 3.20.150 Penalty for violation

3.20.010 Purpose

In order to establish efficient procedures for the purchase of supplies, services and equipment, to secure for the City supplies, services and equipment at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function and to assure the quality of purchases, the City's purchasing system is set forth in this Chapter.

3.20.015 Definitions

As used in this Chapter the following terms shall have the following respective meanings:

A. "Best Value" is associated with determining the greatest worth and benefit to the City based on a number of factors, including

- 1) Cost;
- 2) Quality of the product or service;
- 3) Delivery lead time;
- 4) Ability of the manufacturer or contractor to provide services, supplies, or equipment as required, and parts, repairs, maintenance and support after the sale;
- 5) The character, integrity, reputation, judgment, and experience of the manufacturer, contractor, or supplier.

B. "Bid" may mean a competitive sealed (formal) bid processed in accordance with §3.20.100, or an informal bid processed in accordance with §3.20.110 herein.

C. "Contract" means a written or oral agreement to expend money on a product or service including but not limited to purchase orders, formal contracts, invoices and oral orders.

D. "Department" or "Using Department" means any of the departments of the city government.

E. "Emergency" shall mean an unforeseen circumstance or combination of circumstances calling for immediate action to procure materials, supplies, equipment, or services in order to make repairs, safeguard lives or property, or maintain public health or welfare, as a result of extraordinary conditions created by war, disease, weather, fire, or other catastrophic or unforeseen occurrence, or imminent or actual failure of any plant, equipment, structure, street or public work.

F. "Equipment" shall mean items of property which are maintained on inventory as fixed assets. These items are durable and have a fixed, predetermined life expectancy.

G. "Professional services", as used in this section, shall mean all services which (1) are of an advisory nature, (2) provide a recommended course of action or personal expertise, or (3) have an end product which is basically a transmittal of information either written or verbal and which is related to the governmental functions of city administration and management and city program management or innovation, and which are obtained by awarding a services contract, a grant, or any other payment of funds for services of the above type. In general, "Professional services" are provided by qualified professionals in such disciplines as accounting, architectural, engineering, environmental, financial, legal, and medical fields.

H. "Professional Services Agreement" means the agreement entered into between the service provider and the City for services, as opposed to goods and materials, in a form created by the City Attorney.

I. "Public Project" shall mean a project for the erection, improvement, painting or repair of public buildings and works; work in or about streams, rivers, lakes, or embankments for protection against overflow; street, sewer, water and electrical distribution system work except maintenance or repair; furnishing supplies or materials for any such project, including maintenance or repair of streets or sewers. (Public Contract Code § 20161)

J. "Purchases" shall mean legal transactions (including lease and rental) by which the City

acquires supplies, equipment, materials and contractual services.

K. "Purchasing Authority" shall mean any department head authorized to purchase or otherwise enter into contracts for the City under provisions of Part 3.20.040 herein.

L. "Procurement Cards" shall mean bank issued credit cards assigned to positions specified by resolution of the City Council.

M. "Responsible Bid" shall mean an offer, submitted by a responsible bidder to furnish supplies, equipment, materials, or services in conformity with the bid instructions, specifications, delivery terms and conditions, and other requirements contained in the Invitation for Bids.

N. "Responsible Bidder" shall mean a bidder who is financially responsible and has the resources, judgment, skill, ability, capacity, integrity, and reliability required and necessary to perform the requirements set forth in the bids, and which will assure good faith performance.

O. "Responsive Bid" is a bid that conforms in all material respects to the Invitation for Bids.

P. "Services" shall mean the furnishing of labor, time, or effort performed by specially trained and experienced persons, firms, or corporations rendering professional work and advice in such disciplines as the maintenance or repair of buildings or grounds, equipment or machinery, or other City-owned or operated property. Such term shall not include services rendered by city officers or employees, nor professional or technical services as defined elsewhere in this section.

Q. "Shall" denotes the imperative.

R. "Supplies" shall mean property, including but not limited to materials, required to perform a department's routine functions.

S. "Technical Services" shall mean design, installation, diagnostic or repair services for electrical, electronic, data/telecommunications, mechanical, and/or control systems and their components. These services are distinguished from general repair and maintenance services by their requirements for technical training and/or professional certification.

3.20.020 Purchasing Officer – Established

There is established the position of Purchasing Officer. The Purchasing Officer shall be appointed by the City Manager, and shall be the head and have general oversight of the purchasing functions of the City. The duties of the Purchasing Officer may be combined with those of any other office or position.

3.20.030 Purchasing Officer - Powers

The Purchasing Officer shall have the responsibility and authority to:

A. Purchase or contract for supplies, services and equipment required by any city department in accordance with purchasing procedures prescribed by this Chapter, such administrative regulations as the Purchasing Officer shall adopt for the internal management and operation of the purchasing function of the City and such other rules and regulations as shall be prescribed by the City Council or City Manager;

B. Negotiate and recommend execution of contracts for the purchase of supplies, services and equipment;

C. Act to procure for the city the needed quantity and quality in supplies, services and equipment at least expense to the City;

D. Discourage uniform bidding (wherein bidders conspire to submit the same cost for a given job or tangible item), and endeavor to obtain as full and open competition as possible on all purchases;

E. Prepare rules governing the purchase of supplies, services and equipment for the City;

F. Prepare and recommend to the City Council revisions and amendments to this Chapter;

G. Keep informed of current developments in the field of purchasing, prices, market conditions and new products;

H. Prescribe and maintain such forms as reasonably necessary to the operation of this Chapter and other rules and regulations;

I. Oversee the inspection of all supplies, services and equipment purchased to insure conformance with specifications;

J. Recommend the transfer of surplus or unused supplies and equipment between departments

as needed and the sale of all supplies and equipment which cannot be used by any department or which may become unsuitable for city use;

K. Maintain a bidders' list, vendors catalog file, and records necessary for the efficient operation of the purchasing function.

L. The foregoing responsibilities and authorities may be delegated by the Purchasing Officer to departmental Purchasing Authorities (as defined herein) under this purchasing policy.

3.20.040 Delegation of Purchasing Authority

The City Manager, in accordance with Lodi Municipal Code Section 2.12.060(T), may authorize in writing any department head (hereinafter "Purchasing Authority") to purchase or contract for, or to delegate to qualified staff members the authority to purchase or contract for specified supplies, services and equipment independently; but shall require that such purchases or contracts be made in conformity with the procedures established by this Chapter, and shall further require periodic reports from the department on the purchases and contracts made under such written authorization.

3.20.045 State and Local Agency Contracts

The bidding process described in this Chapter may be waived when advantageous for the City, and authorized by the City Manager for purchase of supplies, equipment or contractual services awarded in accordance with formally adopted bidding or negotiation procedures approved by the governing boards of other California public agencies. Purchases or contracts in excess of twenty thousand dollars (\$20,000) shall require the approval of the City Council.

3.20.060 Requisitions

City departments shall submit requests for supplies, services and equipment to the purchasing officer, or designee, electronically or by standard requisition forms, for the purposes and within the limits of funds appropriated therefore.

3.20.070 Bidding

Purchases of supplies, services, equipment and the sale of personal property shall be by bid procedures pursuant to Sections 3.20.100 and 3.20.110. Bidding shall be dispensed with only (1) bid in cases of emergency as defined in this Chapter, and therefore requires that an order be placed with the best available source of service or supply; (2) when the amount involved is less than two thousand five hundred dollars (\$2,500) (but competitive quotes shall be obtained if it is in the City's best interest to do so), (3) when the commodity can be obtained from only one vendor, due to (a) product standardization by resolution of the City Council, or (b) need for branded replacement parts or supplies for equipment of like brand; (4) when professional or technical requirements preclude competitive bidding, pursuant to Part 3.20.075 of this Section, or (5) when the City Council determines that the purchase or method of purchase would be in the best interests of the city.

3.20.075 Professional/Technical Services Contracts

The following professional services contracts are specifically exempt from the advertising and bidding requirements of Section 3.20.070:

Contracts for

(1) legal defense, legal advice, or legal services;

(2) architectural and engineering services, including, but not limited to construction management, aerial photography, laboratory and material testing services;

(3) accounting and financial services;

- (4) real estate appraisals;
- (5) transportation services consultants;
- (6) safety, environmental or hazardous material consultants;
- (7) workshops, seminars, and conferences;
- (8) computer consulting services.

Such contracts shall be awarded on the basis of professional qualifications and experience, quality of service, past performance, and negotiated prices.

3.20.076 Contract Authority

The City Manager shall have the contracting authority set forth in Chapter 2.12.060(T) of this Code.

3.20.077 Electronic Hardware and Software

Acquisition of electronic hardware and software shall be by negotiation, requests for proposal, or competitive bids, and award shall be based on 'best value' criteria as established by Section 3.20.15, under direction of the Information Systems Manager, and set forth in the terms of the negotiation, Request for Proposals, or bid. Alternatively, purchase of electronic hardware and software may be made in accordance with Section 3.20.045. Electronic software purchases shall also be made in accordance with the City of Lodi Administrative Policies –Information Systems – Section 5 Software Selection and Acquisition.

3.20.080 Purchase orders.

Purchases of supplies and equipment in an amount of two thousand five hundred dollars (\$2,500) or more shall be made only by written contract or by purchase orders. Purchase orders should not be used to procure services, except as noted in Section 3.20.085.

3.20.085 Professional Services Agreements

Services, as opposed to goods or materials, shall be procured using a Professional Services Agreement as created, and revised as needed, by the City Attorney. Purchase orders, with the appropriate terms, conditions and insurance requirements, may be used in lieu of a Professional Services Agreement when the nature of the service is that of a one-time service. On-going, recurring services shall be procured using a Professional Services Agreement.

3.20.090 Use of unencumbered funds required.

Except in cases of emergency, the purchasing officer or purchasing authority shall not issue any purchase order or otherwise contract for supplies, services or equipment unless there exists an unencumbered appropriation in the fund account against which the purchase is to be charged.

3.20.095 State and Federal Grants

Where a procurement involves the expenditure of state or federal grant funds the procurement process shall comply with such state or federal laws and authorized regulations which are mandatorily applicable and which are not presently reflected in this code.

3.20.100 Formal contract procedure.

Purchases of supplies, equipment, contractual services, public projects, and sales of personal property of an estimated value greater than twenty thousand dollars (\$20,000) shall follow the formal contract procedure:

- A. Specifications and plans shall be subject to review and approval by the City Council prior to

the solicitation of bids.

B. The advertisement for bids will be conducted as provided for in the Government Code.

C. Notice Inviting Bids. Notice inviting bids shall include a general description of the articles to be purchased or sold, or work to be performed, and shall state where bid forms and specifications may be secured and the time and place for opening of bids.

1. Published Notice. Notice inviting bids shall be published at least ten (10) calendar days before the date of opening of the bids. Notice shall be published at least once in a newspaper of general circulation, printed and published in the city, or if there is none, it shall be posted in at least three public places in the city that have been designated by ordinance as the places for posting public notices.

2. Bidders' List. The Purchasing Officer shall also solicit sealed bids from all responsible prospective suppliers whose names are on the bidders' list.

3. Internet Posting. The Purchasing Officer may also advertise pending bids for purchases or sales on the city's web page.

D. Bidder's Security. When required by law or deemed necessary by the Purchasing Officer, bidder's security may be prescribed in the notice inviting bids. Bidders shall be entitled to the return of their bid security; except that a successful bidder shall forfeit all or part of his or her bid security upon refusal or failure to execute the contract within ten days after the notice of award of contract has been mailed, unless the city is responsible for the delay. The City Council may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest responsible bidder. Thereafter, if the City Council awards the contract to the next lowest bidder, the amount of the lowest bidder's security shall be applied by the city to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder.

E. Bid Opening Procedure. Sealed bids shall be submitted to the purchasing officer and shall be identified as bids on the envelope. Bids shall be opened in public at the time and place stated in the notice inviting bids. A tabulation of all bids received shall be available for public inspection during regular business hours for a period of not less than thirty calendar days after the bid opening.

F. Rejection of Bids. In its discretion, the city council may reject any and all bids presented and, if it is in the city's best interest to do so, readvertise for bids.

G. Award of Contracts. After evaluation of bids, contract shall be awarded by the city council to the lowest responsible bidder except as otherwise provided in this chapter. In determining the lowest responsible bid, considerations shall include but not be limited to such factors as (1) whether any portion of the state sales tax payable on the article which is the subject of the bid will be rebated to the city by reason of awarding such contract to a person or firm domiciled within the city, (2) total life-cycle costs, and/or (3) residual value.

H. Tie Bids. If two or more bids received are for the same total amount or unit price, with quality, service and factors considered in Section 3.20.100 (E), above, being equal and if the public interest will not permit the delay of readvertising for bids, the city council may accept the lowest bid determined by toss of a coin performed at a time as soon after the bid opening as is possible.

I. Performance Bond. The City Council shall have authority to require a performance bond before entering a contract in such amount as it shall find reasonably necessary to protect the best interests of the City. If the City Council requires a performance bond, the form and amount of the bond shall be described in the bidding documents.

3.20.105 Public Works Projects

Public Works Projects in excess of five thousand dollars (\$5,000) shall be bid pursuant to the procedures of the Public Contract Code Public Contracts Code Section 20162). Public Works Projects under twenty thousand dollars (\$20,000) may be advertised for and contracted by staff as authorized under this Chapter. Public Works Contracts over twenty thousand dollars (\$20,000) shall be approved by Council. Public Works Project bid disputes, rejections and other exceptions shall be agendized for Council action regardless of contract value.

3.20.110 Open market procedure

Purchases of supplies, equipment, contractual services and sales of personal property of an estimated value in the amount of twenty thousand dollars (\$20,000) or less may be made in the open market without observing the Formal Contract procedure prescribed by Section 3.20.100.

A. Minimum Number of Informal Bids or Quotations. Open market purchases shall, wherever possible, be based on at least three informal bids or quotations, and shall be awarded to the lowest responsible bidder.

B. Request for Quotations. The Purchasing Officer or purchasing authority shall solicit informal written bids or quotations from prospective vendors by written request, by telephone or by electronic data interchange. Quotations or informal bids shall be in writing for amounts greater than two thousand five hundred dollars (\$2,500).

C. Quotations and written informal bids shall be submitted to the requestor, who shall keep a record of all quotations, bids, and open market orders for a period of one year after the submission of quotations or the placing of orders. This record, while so kept, shall be open to public inspection.

D. The Purchasing Officer or purchasing authority may reject any and all informal bids, offers and quotations when, in his or her discretion, it shall be in the best interest of the City to do so.

3.20.115 Split Transactions

No person shall willfully split a single transaction into two or more transactions for the purposes of evading the bidding requirements of this section. (Public Contract Code § 10329, 20163)

3.20.120 Inspection and testing of purchases.

The Purchasing Officer or purchasing authority shall assure the inspection of supplies and equipment delivered, and contractual services performed, to determine their conformance with the specifications set forth in the order or contract. The Purchasing Officer shall have authority to require chemical and physical tests of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with specifications. (Prior code § 2-66)

3.20.130 Vehicle purchases and disposition exemption.

The purchase and disposition of fleet vehicles and other specific equipment governed by the City's Fleet Policies and Procedures, as adopted by resolution of the city council, is exempt from the provisions of this Chapter

3.20.135 Procurement Cards

The City Council shall select a vendor to provide Procurement Cards for use by city staff. Purchases in accordance with this policy shall be authorized to be paid for with such cards. The City Council shall approve issuance of Procurement Cards to specified staff positions by resolution for the efficient operations of the City. Authorized limits for individual and aggregate transactions shall be in accordance with the transaction and contract limits set forth in this chapter. The Purchasing Officer shall be responsible for preparing rules and procedures governing the use of Procurement Cards.

3.20.140 Restrictions

If any department purchases or contracts for any supplies, equipment or contractual services made contrary to the provisions of this Chapter, the purchase or contract shall be void and of no effect. The head of the department making the purchase transaction shall be personally liable for the amount of the purchase or contract, or, if already paid for out of city funds, the amount thereof may be recovered in the name of the city in appropriate action therefore.

3.20.150 Penalty for violation

Any person who violates, or permits a violation of this chapter is guilty of an infraction which may be punishable as provided in Chapter 1.08 of this Code.

Section 3 - No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

Section 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

Section 5. This ordinance shall be published one time in the "Lodi News Sentinel," a daily newspaper of general circulation printed and published in the City of Lodi and shall be in force and take effect 30 days from and after its passage and approval.

Approved this ____ day of _____, 20.
Attest:

RANDI JOHL
City Clerk

BOB JOHNSON
Mayor

State of California
County of San Joaquin, ss.

I, Randi Johl, City Clerk of the City of Lodi, do hereby certify that Ordinance No. ____ was introduced at a regular meeting of the City Council of the City of Lodi held August 17, 2011, and was thereafter passed, adopted, and ordered to print at a regular meeting of said Council held _____, 2011, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

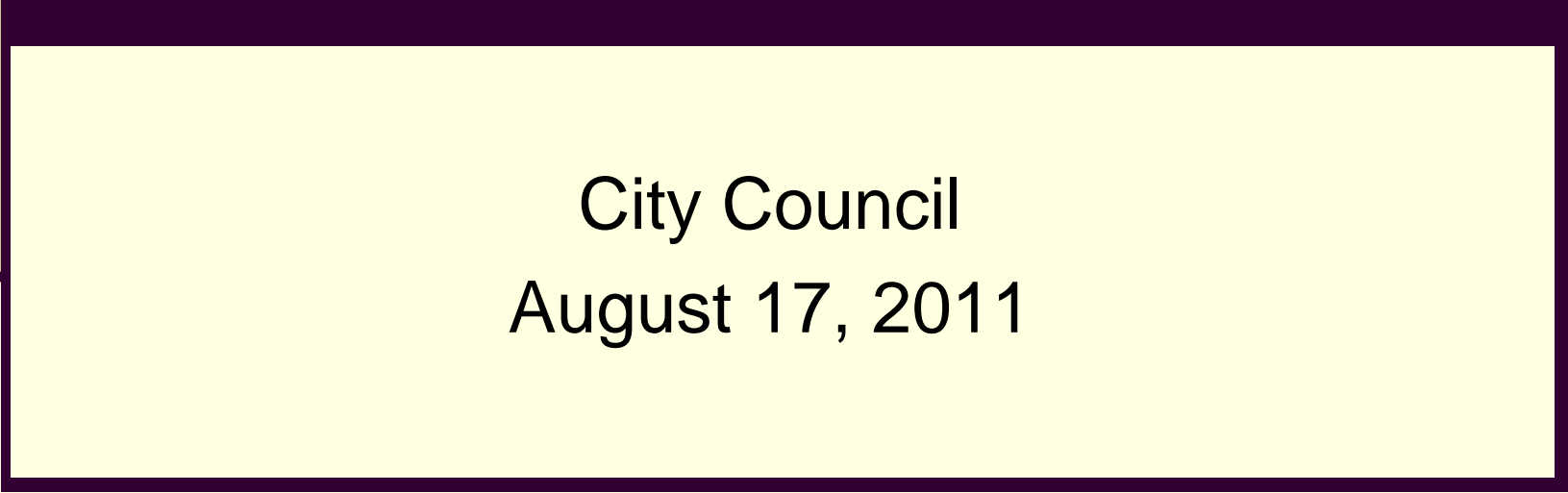
I further certify that Ordinance No. ____ was approved and signed by the Mayor of the date of its passage and the same has been published pursuant to law.

RANDI JOHL
City Clerk
Approved as to Form:

D. STEPHEN SCHWABAUER



Purchasing Policy Revisions



City Council
August 17, 2011

Drivers of Change

- Centralized vs. Decentralized purchasing
- Staff efficiencies
- Update limits
- Expand Procurement Card usage

Summary of Changes

| Item | Current Policy | Recommendation |
|----------------------|--|--|
| Purchase Order Limit | Purchases over \$500 require PO | Raise the limit to \$2,500 |
| Quote Limit | Verbal quotes required for \$500 to \$999; Written quotes required over \$1,000 | Eliminate verbal quote requirement; Raise written quote limit to \$2,500 |
| Signature Limits | Department Head - \$5,000; City Manager - \$20,000 | Department Head - \$5,000 PW and EUD Department Head - \$15,000 |
| Procurement Cards | 11 positions currently authorized | Increase to 36 positions |

Action Requested

- Introduce Ordinance